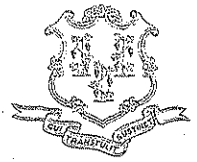




DEPARTMENT OF ADMINISTRATIVE SERVICES



STATE OF CONNECTICUT

165 Capitol Avenue
Hartford, CT 06106-1658

HB 6364

An Act Making Deficiency Appropriations for the Fiscal Year Ending June 30, 2009

Appropriations Committee April 7, 2009

Good afternoon Senator Harp, Representative Geragosian, Senator Debicella, Representative Miner, and other distinguished members of the Appropriations Committee. My name is Brenda Sisco, and I am Commissioner of the Department of Administrative Services.

I am here to request your support for a deficiency appropriation for the state Workers' Compensation General Government account.

By way of background, the legislature appropriates money into seven different accounts to pay workers' compensation benefits for all state employees. While DAS is the central administrator for the State of Connecticut workers' compensation program, some of the larger agencies have their own budgets to pay benefits. Specifically, the Departments of Children & Families, Developmental Disabilities, Mental Health & Addiction Services, Correction, and Public Safety pay their own claims. DAS manages the State Transportation Fund ("STF"), which pays the workers' compensation benefits for employees of the Department of Transportation and the Department of Motor Vehicles. We also manage the General Government account, which pays the workers' compensation benefits for all other state employees, including those working for the legislative and judicial branches.

Concerning the General Government account, we analyzed the paid loss data back in August and projected that this account would be deficient by approximately \$1.5 million for FY 09. While these were preliminary estimates, the gap in the account was significant enough for us to bring it to the attention of OPM and present the findings to this Committee on November 18, 2008. Since that time, claim activity has progressed as anticipated. Therefore, unless we experience unforeseen events before the close of FY 09, the General Government workers' compensation account will still require a deficiency appropriation of \$1.5 million in order to pay claims through the end of this fiscal year.

Please know that DAS has been working hard in recent years to reduce workers' compensation expenses for the State of Connecticut - not only in the General Government and Special Transportation accounts - but among all state agencies and

branches. For example, our work in streamlining the medical imaging delivery network has thus far saved the state approximately \$1.8 million in workers' compensation expenses over the current biennium budget. Also, initiatives that we are undertaking within the prescription drug delivery system and our medical network are anticipated to provide additional cost savings both for this and outlying years. Our efforts are continuous, within an ever-changing industry, to ensure that the state's workers' compensation medical delivery system is responsive to the needs of our injured workers while at the same time maximizing cost efficiencies for the state.

DAS has also been focused on increasing safety throughout the state in an effort to reduce workers' compensation injuries, and therefore costs. We work with agencies to help them develop internal Safety and Health Committees and, through our Loss Control Program, DAS staff is able to work directly with state employees to identify and remediate the triggers that cause the state employee injuries. Thus far, DAS has facilitated the establishment and certification of 76 Safety and Health Committees throughout state government. We have also promoted return-to-work programs to help employees return to duty as soon as they are able, and to reduce lost-time claims.

With regard to claim volume, the number of new workers' compensation claims filed by state employees continues to trend downward. Between FY 07 and FY 08, we saw a 4% decrease in new claims filed. We project that the number of new claims filed will decline by another 5% in FY 09.

Notwithstanding this trend and our efforts to reduce expenses, we continue to experience increased workers' compensation costs in the General Government account. These are attributed to several factors: increased state payroll, increased medical inflation, and the lack of an adjustment to the FY 09 budget appropriation to reflect the FY 08 deficiency of \$1.25 million.

Another factor that affected the General Government workers' compensation account is the increased activity in the Selective Duty Program. This is a return-to-work program that was negotiated in the health care employees' union contracts. As I just mentioned, we have been much more successful in recent years getting employees back to work into light duty positions, rather than having them stay out on workers' comp. This success, however, means additional expenditures for the General Government account. While an employee who is out on workers' compensation is paid benefits out of his/her agency's workers' compensation account, an employee who returns to restricted duty through the Selective Duty Program is paid from the General Government account - regardless of the agency or branch for whom s/he works. The Selective Duty Program cost the General Government account \$500,000 last fiscal year and we anticipate that participation in this program will continue to grow this year.

Thank you for the opportunity to present this information today. I am happy to answer any questions the Committee may have.